

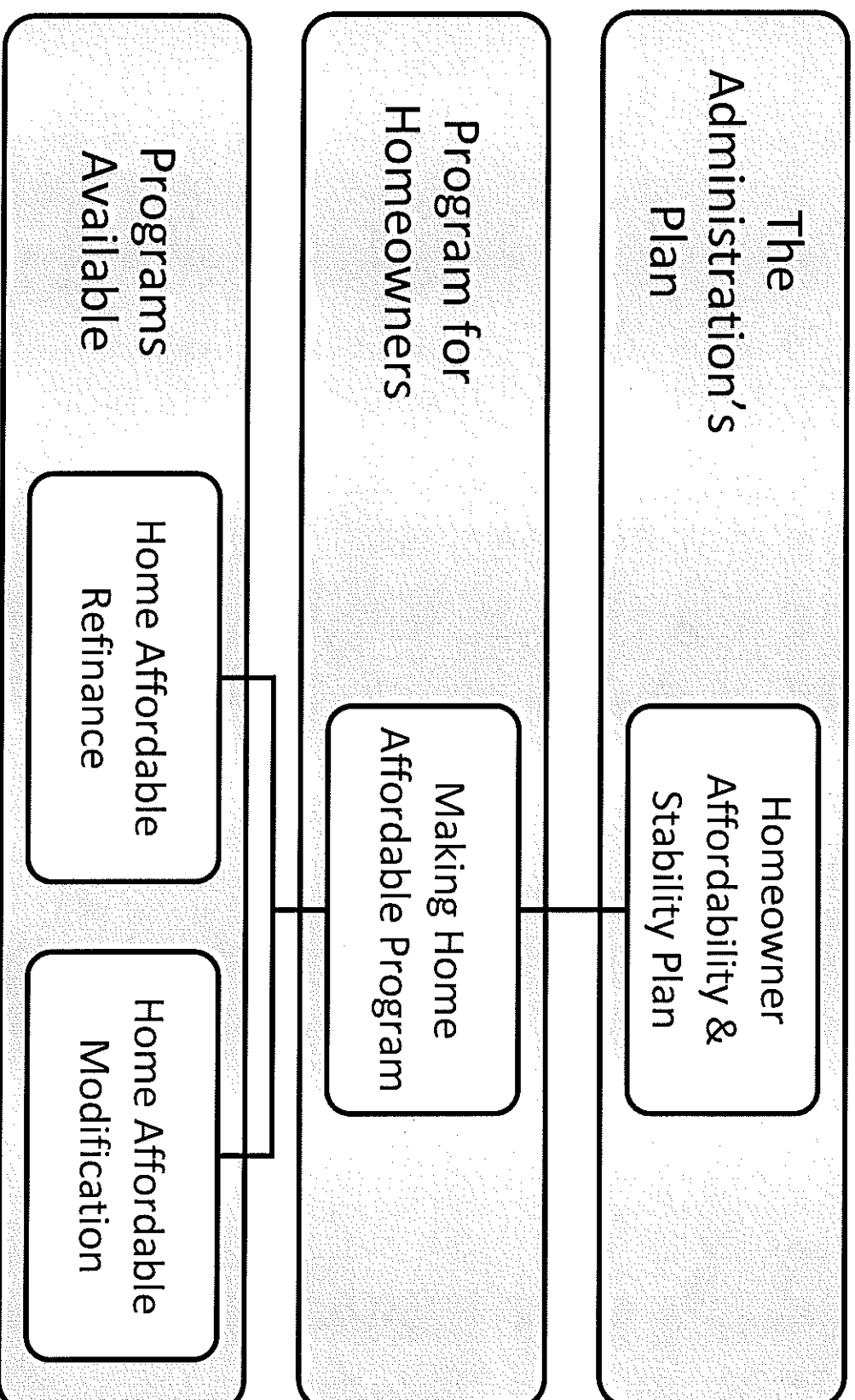


# Making Home Affordable





# Background





## Home Affordable Refinance Program (HARP)

- Purpose
  - Gives borrowers the opportunity to refinance into more affordable loans at today's lower rates
  - Only for borrowers with Fannie Mae or Freddie Mac loans
- Scope
  - Estimated millions of borrowers are eligible



# HARP Eligibility Criteria

## Borrower –

- Owner-occupant of a 1-4 unit property
- Is current on the mortgage
- Has reasonable ability to pay new mortgage payment

## Loan –

- Mortgage is owned or guaranteed by Fannie Mae or Freddie Mac
- Amount of first mortgage does not exceed 125% of property's current market value
- Refinance will improve the long-term affordability or sustainability of the loan



# Home Affordable Modification Program (HAMP)

- Purpose
  - Modifies loans of qualifying at-risk borrowers to achieve affordable payments
  - Allows borrowers to keep their homes
  - Reduces impact of foreclosure on communities
- Scope
  - Estimated millions of borrowers are eligible



# HAMP Eligibility Criteria

## Borrower –

- Owner-occupant of 1-4 unit property
- Has reasonable ability to pay modified mortgage payment
- Has a financial hardship and is delinquent or at risk of *imminent default*

## Loan –

- Amount owed on first mortgage is equal to or less than \$729,750
- Mortgage was originated on or before January 1, 2009
- First mortgage payment (PITI + homeowner association/condo fees) must be greater than 31% of borrower's gross income



## Determining Imminent Default

- Borrowers who are current on their loans but are struggling to make payments may also be eligible for HAMP if they:
  - Have a documented hardship – *decrease in income, increase in expenses, facing interest rate increase within the next four months, etc.*
  - Do not have sufficient savings or other liquid assets to make future payments



## Modification Process

- Your Mortgage Lender or Counselor...
  - Determines if borrower meets minimum eligibility criteria
  - Obtains borrower income and debt information
  - Calculates borrower's target modified payment to reach debt-to-income ratio of 31%





# Modification Process - Continued

Your Mortgage Lender...

- Performs steps in order to reach target modified payment

**Step 1:** Capitalizes outstanding debt, escrow advances and out-of-pocket servicing expenses (no late fees allowed)

**Step 2:** Reduces the interest rate to as low as 2%  
Reduced rate remains fixed for 5 years and increases 1% per year thereafter to market interest rate at the time of modification

**Step 3:** Extends loan term up to 40 years

**Step 4:** Defers a portion of the principal, interest-free, until loan is paid off



## Second Mortgage Lien Modification Program

- Purpose
  - Modifies 2<sup>nd</sup> mortgages of qualifying at-risk borrowers to achieve affordable payments on both mortgages
  - Incentives encourage participation from all parties
- Scope
  - Estimated that up to 50% of at-risk borrowers with 1<sup>st</sup> mortgages have 2<sup>nd</sup> mortgages



## **Second Mortgage Lien Modification Program - Continued**

- A 2<sup>nd</sup> mortgage lien may be eligible when...
  - The mortgage lender is a participant in the Second Mortgage Lien Modification Program under HAMP
  - Borrower's corresponding 1<sup>st</sup> mortgage is modified through HAMP
  - Mortgage originated on or before January 1, 2009
- 3<sup>rd</sup> and/or 4<sup>th</sup> mortgage liens are not eligible
- May only be modified once
- No fee charged to modify
- Borrower must provide consent to share their 1<sup>st</sup> mortgage lien modification data with the 2<sup>nd</sup> mortgage lender if the lenders are two different parties



## Borrower Incentives

- No cost for modification
- Borrowers can receive principal reductions for making HAMP payments on time
  - Incentives can equal up to:
    - \$1,000 per year for five years for 1<sup>st</sup> mortgage
    - \$250 per year for five years for 2<sup>nd</sup> mortgage (if applicable)
  - Incentives add up monthly and are allocated once a year to reduce borrower's unpaid mortgage principal balance
- With no extra effort, borrowers increase the equity in their homes
- However, if borrower defaults on their 1<sup>st</sup> or 2<sup>nd</sup> modified mortgages, then no additional incentives will be allocated



# Getting Started

Find out more about the program

Need urgent help? Contact the Homeowner's HOPE Hotline: (833) 995-HOPE

**MAKING HOME AFFORDABLE<sup>SM</sup>.GOV**

HELP FOR AMERICA'S HOMEOWNERS

ABOUT | ELIGIBILITY | LEARN MORE | FIND A COUNSELOR | CONTACT YOUR MORTGAGE SERVICE | RESOURCES | AUDIO AND VIDEO



## Are You Eligible?

Please use the self-assessment tools provided on this website to see if you are among the 7 to 9 million homeowners who may be able to benefit from Making Home Affordable.

[Find out if you are eligible](#)

### Learn About Making Home Affordable

#### Refinancing

Many homeowners pay their mortgages on time but are not able to refinance to take advantage of today's lower mortgage rates perhaps due to a decrease in the value of their home

#### Modification

Many homeowners are struggling to make their monthly mortgage payments perhaps because their interest rate has increased or they have less income

#### Beware of Foreclosure Rescue Scams - Help Is Free!

- Scam artists often target homeowners who are struggling to meet their mortgage commitment or anxious to sell their homes. Recognize and avoid common scams.
- Assistance from a HUD-Approved Housing Counselor is FREE.
- Beware of anyone who asks you to pay a fee in exchange for a counseling service or modification of a delinquent loan.
- Beware of people who pressure you to sign papers immediately, or who try to convince you that they can't help you.
- Do not sign over the deed to your house.

**Sample Home Page**

Need urgent help?

**888-995-HOPE**

Homeowner's HOPE Hotline

#### LATEST NEWS:

07/31: Treasury Announces Home Price Decline Protection

Initiatives

07/30: HUD Secretary Donovan Announces New FHA-Making Home Affordable Loan Modification Guidelines

#### Obama Administration Launches National Outreach Campaign

The campaign will travel to ten housing markets that have been hit hard by foreclosure, starting in Miami, with the goal of empowering local partners to connect homeowners with much needed relief under the Administration's housing program. Read more...

Make us your home source.

the Help You Need

**MAKING HOME AFFORDABLE<sup>SM</sup>.GOV**

Easy-to-Use Main Navigation for Homeowners to Quickly Find Information

Access Checklist to Prepare Borrowers to Speak with their Mortgage Lender or Counselor

On the Home Page, consumers can access:

- ☒ Spanish Content
- ☒ 1-888-995-HOPE (4673)
- ☒ Beware of Scams
- ☒ Information Video
- ☒ Helpful Links in Footer



## Are Mortgage Lenders Required to Participate?

- If you have a Fannie Mae or Freddie Mac loan - YES
- For other loans, participation is optional. However, significant financial incentives are provided to encourage participation by borrowers, mortgage lenders and investors.
- The list of participating mortgage lenders is available at: [www.MakingHomeAffordable.gov](http://www.MakingHomeAffordable.gov)
- Participating mortgage lenders may not proceed with a foreclosure sale until a borrower has been evaluated for a Making Home Affordable loan.



## Beware of Foreclosure Rescue Scams

- Beware of any company that promises:
  - That it's safe to skip your mortgage payments
  - That walking away from your house won't affect your credit
  - They will buy your house & sell it back to you later
  - A specific result, for a fee

There is never a fee for getting information about the Making Home Affordable program from your mortgage lender or a HUD-approved housing counselor.



## Additional Resources

- For Immediate Borrower Assistance:
  - Call **1-888-995-HOPE** (4673)
- Find a HUD-Approved Housing Counselor:
  - Visit **[www.MakingHomeAffordable.gov](http://www.MakingHomeAffordable.gov)**
- Find Your Mortgage Lender's Phone Number:
  - Refer to your monthly mortgage statement, or
  - Look up on **[www.MakingHomeAffordable.gov](http://www.MakingHomeAffordable.gov)**